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Bulgaria

Exporter Guide

Exporter Guide Bulgaria 2006

2007

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Report Highlights:

From 2000-2006, Bulgaria experienced GDP growth of 4-6 percent with a declining unemployment rate and a tight budget policy. Tourism remains a leading industry, with USD 2.6 billion in income in 2006 and annual growth of 11-17 percent over the last five years. International supermarket chains have flourished, providing new opportunities for U.S. food and beverage exporters.

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Table of Content

Market Overview	3
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Consumer food market	4
Exporter Business Tips	5
Local Business Customs	5
General Consumer Tastes and Preferences	6
Food Standards and Regulations	7
Labelling	7
Tariffs and Tariffs Rate Quotas	8
Taxes	8
Market sector structure and trends	8
a. Food retail sector	8
b. Hotel-Restaurant-Food Service	11
c. The food processing sector.....	12
BEST HIGH-VALUE PRODUCT PROSPECTS	13
Table 1 Key Trade and Demographic Information	14
Table 2 Imports	14
Table 3 Importance of Food and Beverage Industry for Bulgaria	15
Table 4 Foreign Direct Investment Inflow by Country and Year	15
Table 5 Selected Retailers and their Private Label Products 2005	16
Key Contacts in Bulgaria	16

Market Overview

Bulgaria is a small country with population of approximately 7.8 million. Its climate and other natural conditions are generally favourable to agriculture, and more than a third of its land is considered to be arable.

Over the last seven years, Bulgaria has made impressive progress towards long-term stability and sustained growth. Bulgaria; however, is significantly poorer than other members of the EU. To narrow the income gap and bring Bulgaria in step with the rest of the EU, Bulgaria needs to increase employment and productivity consistent with the Lisbon Agenda. Raising investment and total factor productivity is critical to creating sustainable growth in the future.

The average Bulgarian GDP growth rate from 2000-2006 was 5 percent and unemployment has now dropped below 9%. Largely due to a balanced budget and falling interest rates, Bulgaria's public debt amounts to approximately 45 percent of GDP. Inflation varied from 2000-2005, with annual averages between 4 and 10 percent.

The transition to a market economy started in 1997 with liberalization of the market and privatization of state-owned enterprises.

Bulgaria's EU accession on January 1st, 2007 and compliance with EU requirements and regulations is expected to create and support favorable economic conditions. Evidence of this includes Parliament's recent cut to the corporate income tax, reducing it to 10%, effective January 1, 2007. A further stimulus will be provided as the EU Food legislation is integrated into Bulgarian Law.

Factors Encouraging Investment:

- EU membership as of January 1, 2007
- Highly-skilled, multilingual workforce at Europe's most competitive wages;
- Stable and predictable business and political environment;
- The lowest operational costs and tax rates in Europe;
- Industrial goods traded duty free between Bulgaria and the EU, EFTA, CEFTA and Turkey;
- Tax exemption and investment incentives for qualified investment;
- Annual depreciation rate of 30% for machinery & equipment, 50% for new equipment used in entirely new investment or expansion and 50 percent for software and hardware;
- Acquisition of land and property through Bulgarian registered company with 100 percent foreign ownership;
- Vast administrative services through InvestBulgaria Agency;
- 58 treaties for avoidance of double taxation;
- 56 agreements on mutual protection and promotion of foreign investment;
- Favorable climate

The relative share of GDP made up by investments increased from 15.7 percent in 2000 to 23.8 percent in 2005. Macroeconomic stability, progress in structural reforms, and a high rate of return all contribute to Bulgaria's attractiveness to investors. Foreign Direct Investments (FDI) in Bulgaria totaled about USD 11.1 billion in the period 2000-2005.

General sentiment in Bulgaria is pro-American with both the public and the government supporting expanding the US-Bulgarian trade relationship.

Agriculture is an important sector of the economy, accounting for 9 percent of GDP in 2005 and being the main source of income for about 25 percent of the economically active population. An increase in the stability of the macroeconomic situation has created a

favorable environment for completing the transition and the restructuring of most of the sub-sectors.

Limited access to credit and scattered land ownership remain major constraints to local investors. A basic prerequisite for the development of a competitive agriculture sector is the ability to utilize all available agricultural land in the most economically viable way. In accordance with the amendments to the Ownership and Use of Agricultural Land Act the government is required to pay the technical expenses related to land exchanges with adjacent agricultural land, with the intent of to encouraging consolidation of land ownership.

Enforcing the regulation, implementing controls and fighting the grey economy are vital for smooth expansion of the economy and attracting new investments. The rule of law must be strictly observed by all market players in the food industry for sustainable growth to be achieved.

Bulgarian national legislation pertaining to agriculture and food production will be changed to be in harmony with EU regulations. It is adopting the relevant standards for contemporary control practices. Some watchdog agencies, similar to the Consumer's Rights Protection Agency, have already been established by the Bulgarian government, but there is still much more to be done in order for systematic control measures to be fully implemented. If the government chooses to use consumer's protection as a justification for the introduction of additional regulatory regimes, it will have a detrimental effect on the food processing sector.

The greatest potential areas of benefit from Foreign Direct Investment (FDI) are productivity improvement and management know-how. Improvement in these two areas is essential in bringing about sustainable economic growth. Even without these changes, the agriculture and food processing sectors enjoy an environment generally favorable to economic growth.

In the period 2000-2005, the rate of growth of exports exceeded 10 percent per year. The import rate increased more rapidly, and reached 22 percent. Industry growth is 7.3 percent in 2005.

In 2002-2005, export of agricultural products almost doubled. In 2004, food and beverage exports were 9 percent of the total exports compared to 8.7 percent in 2005. 40 percent of exports and 50 percent of imports of agricultural products is with EU markets.

Consumer food market

A number of trends have been observed in the consumer food markets, including:

- Increase in total consumption of food products- in 2005 average household expenditure for food, beverage and tobacco products was 39-40 percent of total expenditures
- Increase in the variety and amount of higher priced goods purchased
- Changes in consumer preferences- a shift from high fat and breads consumption with low consumption of fresh foods, including vegetables, dairy and fish to a low fat, low calories preference
- Decline in the consumption of added fats since 1989- in 2003, consumption was 19 percent lower than in 1989
- Increases since 2003 in the amount of sunflower oil, butter and margarine consumption (5, 20 and 5 percent respectively)
- Increased consumption of beans and lentils- 5 percent from 2003-2005
- Increased consumption of soft drinks and beer- 26 percent from 2003-2005
- Increased consumption of alcoholic beverages- 5 percent from 2003-2005

- Increased consumption of meat and meat products- 102 percent from 2003-2005, although there are significant differences in consumption between different socioeconomic groups
- Decreased milk consumption- down 18 percent from 2003-2005
- Increased yellow cheese consumption- 4 percent from 2003-2005
- A lack of seasonal consumption of fruits and vegetables- in 2005, 164 grams daily of fresh fruits and 99 grams daily of frozen
- Low fish consumption due to high costs and lack of knowledge of fish- in 2005, average daily consumption of 12 grams.
- Significant differences in consumption across social-economic groups- consumption of major food products is 3 less in the lowest income group as compared with the consumption in the highest income group.
- Small, growing demand for organic food.
- Growing demand for semi-cooked and ready-made, higher cost goods in the last five years.

Advantages	Challenges
Increased consumption	Domestic food processing industry is competitive
Western European consumption patterns are emerging	Competition with European commodities is increasing with EU membership
Growth in supermarket and hypermarket and Consumer foodservice sector	Steady certain income increase
Consumer's references for imported products and specifically high value products and additives	Food Safety Issues
Ingredients insufficiency for food industry in Bulgaria	Lack of experience in doing business with overseas consolidated companies
Tourism industry development	Increase in food servicing outlets and restaurants
Innovative products and packaging	Lack of knowledge in U.S. high value products and packaging
Visits to USDA sponsored Trade Shows	Gain knowledge about U.S. products
Importers are open for U.S. products and technologies	Relatively small delivery volumes

Exporter Business Tips

Local Business Customs

The food and beverage wholesale trade is more concentrated than the retail sector. Retailing sales in Bulgaria grew by 6 percent in current value terms in 2005, following an equally strong performance in 2004. Current value growth was driven mainly by the expansion of retailers to match the rising standard of living and expectations of Bulgarian consumers, but also by increasing variety in terms of the product assortments. Store-based retailing (grocery retailers and non-grocery retailers) remained dominant, though non-store retailing niches such as vending, internet retailing and home-shopping have developed positively, bringing greater diversity to the retailing market as a whole.

Retail in Bulgaria has proven extremely attractive to new entrants. Retailing current value sales grew by a total of 49 percent between 2000 and 2005, as local and multinational players initiated expansion plans in store-based retailing. Bulgarian retailing remained relatively underdeveloped in 2005, facilitating the entry of new players and the expansion of existing chains not only in bigger cities but also in smaller towns and rural areas. Strong development for both hyper and supermarkets showed the most dynamic current value growth within grocery retailers in 2000 - 2005. Greater interest of multinational players generally in Bulgarian retailing and the increase in competition will contribute the development until 2010.

Retailers, including multinational chains, mainly import through local importers and wholesalers. Distribution networks are currently being consolidated and expanded to cover more rural regions of the country. Many importers and producers create their own distribution channels in order to influence the market and to be cost effective. EU accession will also change the market structure, making it more consolidated and more profitable.

Bulgarian wholesale markets are also being consolidated. Know-how and logistics upgrade and update issues are very important for wholesaling channels. The current trend is towards mergers of wholesalers with distributors.

EU membership will facilitate entrance of U.S. products through European importers and distributors. Importers of U.S. products in Europe are listed at: www.american-foods.org.

General Consumer Tastes and Preferences

The consumption of food products largely depends on the structure of the population and its purchasing power. The segment of elderly consumers has and continues to increase, which means higher demand for dietary and health foods and nutrient additives. General consumption patterns largely depend on the income of individual consumers. The selection of goods is based on quality rather than promotions and advertisements with consumers being more price than brand-oriented. Quality to price ratio is of foremost concern for many purchases. Over the past few years, there has been a growing number of people willing to pay more for quality. One notable trend of 2006 is an increase in demand by consumers for healthy, ready-made and semi-cooked foods.

Brand expansion is taking place, with new company and product names being popular mainly with younger consumers. These new products differentiate themselves from the old with both with new packaging and price. Demand for packaged food products increased by 30% in 2006.

Shopping places themselves are also changing, driven by consumers demand for a large variety of high quality goods. This has lead to an increase in the number of super and hypermarkets and shopping malls and a decrease in the number of family owned, small shops. Small shops are now primarily used only to meet consumers' urgent everyday needs, such as bread and milk purchases. The relative share of shopping at super and hypermarkets is steadily growing- 17 percent in 2006 compared to 2005 and 11 percent compared to 2004.

Consumer food expenditures in Bulgaria grew by a total of 36 percent in the period 2000 - 2005.

Food Standards and Regulations

Bulgaria has harmonized its national standards with international and EU standards. Bulgaria is a participant in the International Organization for Standardization (ISO) and the International Electro-Technical Commission (IEC). EU standards and product safety requirements are enforced, according to the respective EU directives. All imports of goods of plant or animal origin are subject to EU phytosanitary and veterinary control standards and relevant certificates should accompany them. Bulgarian authorities have modified national regulations so as to accept U.S. Department of Agriculture certificates.

Particularly notable were changes in the Food Law, forcing food producers and retailers to meet certain quality requirements regarding working conditions, hygiene standards and HACCP.

Further information, and the Food and Agricultural Import Regulations and Standards for EU, are found at: <http://www.useu.be/agri/fairs.html>

Labelling

The producers and importers must:

- indicate the name and the address of the head office on the product and, if possible, on its packaging and the accompanying documentation;
- provide instructions and/or operating manuals in Bulgarian;
- have conformity marking;
- have a statement of conformity (in the cases where the product must be accompanied by a statement of conformity).

Labels must contain the following information in Bulgarian:

- Trade mark;
- Name and address of producer;
- List of ingredients and supplements in processed foods;
- GMO products or ingredients must be defined as GMO with their specific characteristics. The regulation requires food products containing more than 1 percent maize, GM soybean or other GMO's to be appropriately labeled.
- It is not necessary to list ingredients in food products with content of one product with the same name and when the name of the product is with sufficient identification;
- Nutrient content;
- Health claims;
- Date of packaging;
- Expiration dates must be marked as follows:
 - Shelf life of 3 months and less - day and month,
 - Shelf life more than 3 months and less than 18 months year - month and year
 - Shelf life more than 18 months - year
- Perishable products must be marked with " To be used before the date - day and month;
- Storage conditions;
- Name and address of importer;
- Imported food products must be labeled with the same name as given in the country of origin. In case the name of the food product is not definitive enough itself, explanatory definition must be provided;
- Imported biotech products must follow a special procedure. It is the importer's obligation to submit the necessary application and receive permission form Bulgarian Authorities.

Tariffs and Tariffs Rate Quotas

Bulgaria has a liberal regime for international trade in accordance with WTO requirements, although a limited number of goods are subject to administrative control. Bulgarian legislation provides trade guidelines for import and export of goods. Bulgaria is adopting the current procedures and customs regimes used in the European Union in transit, handling of goods under customs control, temporary import, active improvement, passive improvement, customs' controlled storage, temporary export, etc. The Uniform Administrative Document (UAD) is the official written declaration of import and export regulation in accordance with the accepted procedures. As of January 1st, 2007 Bulgaria began applying the integrated EU customs tariff.

For more information on the EU customs tariff: http://ec.europa.eu/taxation_customs.

Taxes

The Value Added Tax Act (VAT) has been in force since January 1, 1999. The standard VAT rate is 20 percent. A VAT rate of 0 percent is applied on transactions involving the export of goods and services specified in the Act, as well as on other transactions specified in the Act. VAT exempted option is valid for import of equipment for investment projects exceeding the value of USD 5.9 million.

In the case of imports, there is a special preferential regime of levying the VAT. VAT may be levied by the importer instead of the customs administration, provided the importer has received a permit from the Minister of Finance and the import includes goods (excluding excise goods) specified on a list approved by the Minister of Finance. The preferential regime of import of goods is applied for importers meeting the following conditions:

- implementer of investment project approved by the Minister of Finance;
- registered under the Value Added Tax Act;
- has no liquid or payable tax liabilities and liabilities payable to the agencies for mandatory social security and health insurance;
- has received a permission from the Minister of Finance;
- eligible to receive regional development state aid under the State Aid Act and the regulations on its application.

Excise duty is levied on the goods and services listed in the Excise Tariff, which are the subject of transactions in the territory of the country, or on goods imported into the country. Excise duty is levied on: alcoholic drinks, including wine and beer; tobacco products; coffee and tea. The Excise Duty Act also provides for a refund of the excise duty paid in case of import of excise goods.

Market sector structure and trends

a. Food retail sector

The government's attitude towards retailers is, on the whole, positive and welcoming. Considerable efforts have been made to facilitate incoming retailers, especially large and medium sized and supermarket chains. With Bulgaria's recent EU accession, the government is especially interested in the investment and expansion plans of retailers. Retail is under responsibility of Ministry of Economy and Energy with competition in retailing being regulated by the Commission for the Protection of Competition. Bulgarian retailing regulations are harmonized with EU requirement; changes were made in the Food Law, compelling food

producers and retailers to meet quality requirements regarding working conditions, hygiene standards, HACCP, etc. The business environment is expected to become more diverse, transparent and well-regulated, giving clearer direction to existing and potential players. The harmonization with EU laws will reduce bureaucratic procedures for opening big chain outlets and will make Bulgarian market more attractive to international and multinational players.

The current value of sales at grocery retailers was USD 3.5 billion in 2005, growth of 4% from 2004 capping total growth of 28 percent over the period 2000-2005. This development was relatively slow. The slow pace of current value growth was attributable to the poor performance of independent groceries with current value growth of 3 percent in 2000-2005. The most dynamic performances within grocery retailers were registered by hyper and supermarkets, which showed total current value growth of 644 percent and 327 percent respectively for the five-year period.

Retailing in Bulgaria is likely to continue its positive development over the 2007-2010 period. The entry of new players, most notably discounter chains, is likely to result in greater market saturation. This will lead to more intense competition and possibly price wars. Legislation, economic development and EU accession are the factors most likely to affect and redirect market movements. The gap among players, currently divided into local and foreign, will decrease as price and goods offered become more similar.

Trade was liberalized after 1989. At the same time the relevant conditions were created for establishment of commercial companies, and the opportunities for supply and sales were enhanced. A large number of retail businesses appeared on the market. Retail trade entered a new stage in 1998 with the emergence of the first chain of supermarkets, Metro Cash and Carry. Metro was followed by other international retail chains such as Billa, Ramstore, Hit, VP Market, and Kaufland. Bulgarian chains of supermarkets were also created – Piccadilly, CBA Bulgaria, Fantastico, Family, “345”, and Elemag. The larger cities of Bulgaria – Plovdiv, Bourgas, Varna, Stara Zagora, Veliko Tarnovo and Rousse were targeted. The entry of the Western chains of stores also resulted in the establishment of private labels, with Metro, Billa, Fantastico and CBA Bulgaria already having their own private labels.

Currently, the foodstuffs market is still fragmented. The concentration of food stores is relatively low compared to average Europe levels. Dynamic growth of hyper and supermarkets, in terms of value growth, within grocery retail in 2007 is forecasted to 30 percent compared to a rate of 20 percent in 2006.

Despite the rapid development of hypermarket chains, many Bulgarian consumers continued to show a preference for medium sized supermarkets outlets in 2005. Medium sized supermarkets outlets are smaller in size than large hypermarket outlets but offer similar products and services, at similar prices. All supermarkets chains in Bulgaria offer promotions and discounted prices on a weekly basis to attract consumers.

Supermarkets in Bulgaria have triggered an upstream transformation of food marketing system and rapidly penetrated the food retail sector. They became major buyers of local and imported products of intermediate to high quality. Retailers are paying more attention to improving product quality and food safety in the domestic market.

Three major trends have characterized the development of the supermarket sector.

- Foreign ownership;
- Rapid concentration, mirroring trends in the developed regions;
- Penetration in big cities to intermediate and small towns in rural areas.

Supermarket's distribution channels have been improved logistically and are being consolidated into a country-wide network.

The leading chains of supermarkets (Billa, CBA Bulgaria, Fantastico, Metro, Hit, Kaufland and Piccadilly) cover 20 percent of the foodstuffs market in Bulgaria. Billa was the leading chain within grocery retailers in 2005, with value sales share of 3 percent, followed by CBA (a chain consisting of formerly independent outlets) with a share of 2 percent. Leading domestic supermarket chains in 2005 were Piccadilly with sales of USD 40 million in 2005 and USD 64.7 million in 2006.

Metro established stores under the name of Aro, selling exclusively Metro private label products at lower prices. Billa and Fantastico are also following this trend, although it cannot be considered as an aggressive policy for discount prices. The tendency is for customers to be attracted to product based quality, trademarks, packaging, discounts or advantages for loyal clients, promotions, discounted purchasing cards and quality of services.

In 2007 the following chains are expected to enter the Bulgarian market:

- Carrefour, France, first store to be opened in 2008 in Sofia, expressed interest to invest also in Varna, Bourgas, Plovdiv and Stara Zagora;
- Plus, German discount chain;
- Penny Market - Billa discount chain;
- Lidl, German discount chain.

Foreign chains see major potential for expansion in Bulgaria, though the trade network is less developed than in Central and other Eastern European countries. Commercial area per capita is several times smaller than the average in Europe, but the market is showing substantial growth. Bulgaria was ranked 13th in 2005 in terms of retail trade development index and is the 15th most attractive destination in the world for investments.

Convenience stores outlets are usually of small size, and mainly offer confectionery, soft drinks, ready-to-eat food products, magazines and newspapers. The prices are similar to other retail outlets, and the service is satisfactory. Chains of small convenience stores at gas stations, such as Shell, OMV, Tempo etc. can attract a lot of additional customers for food products. Convenience stores' value sales during 2000-2005 was 56 percent of the food market with 2005 growth at 4 percent.

Malls with various outlets including supermarkets, restaurants and food courts are becoming popular in Bulgaria. The first malls were in Sofia, Varna and Veliko Tarnovo and were opened in 2006. The construction of 7 new malls is scheduled by 2011.

There is a niche of outlets for luxury foods products and beverages and specialty foods.

The expected consolidation of the market will result in greater competition between producers and traders. The small retail outlets will be gradually pushed out over the next several years by the effects of the competition of the chains of retail outlets (hypermarkets and supermarkets) and by the expected emergence of the discount chains. The options for the small community-type independent retail outlets are also being reduced by the introduction of the European requirements for storage and trade in foodstuffs – specifically enhanced sanitary and hygiene requirements related to warehousing and transportation. In addition to the other factors, small retail outlets will be restricted by their low purchasing power.

Grocery retailers based on number of outlets:

Type of outlet	Numbers		
	2003	2004	2005
Hypermarkets	7	10	12
Supermarkets	235	283	311
Convenience stores	315	321	325
Independent groceries	32090	31618	31027
Food special stores	7295	7438	7572
Other grocery retailers	2314	2269	2221
Total grocery retailers	42256	41939	41468

b. Hotel-Restaurant-Food Service

A significant growth in the market is observed in three areas:

- number of outlets, growth of 15 percent in 2005;
- value sales growth 10 percent in 2005;
- investment opportunities in cafés/bars and full-service restaurants, the most dynamic sectors of development.

Well established consumer foodservice performance will continue and be boosted by stability in Bulgaria's GDP, growing incomes and EU accession. New chain operators will also enter the market. Starting in 2007, international chains will look to expand their franchise operations in Bulgaria, due to relatively low operating and labor costs and expanding opportunities in the local market.

Bulgarian customers are brand-oriented and chain operators are competing for dominance of their brands.

Tourism is playing a key role in the expansion of food service sector. In 2004 the growth of the tourism business was higher than the total growth of the economy. The tourism sector proved to be an engine for growth in the economy, and this trend will push for further development. In 2004, the total number of tourists who visited Bulgaria was up 11 percent from 2003, in 2005, 4 percent and in 2006, 17 percent. The most important reason for the increase were economic and political stability, a constant increase in the number of accommodation facilities, improvements in the services provided, competitive prices and more advertising campaigns outside of the country. Tourism is, and will remain, the main factor driving the development and growth of the Bulgarian consumer foodservice market.

The highly fragmented nature of the Bulgarian consumer foodservice market in 2005 led to increased competition and the use of a variety of different marketing strategies by players. There was an increase in advertising in the national media through TV, radio etc. The most active players were the biggest chains, namely McDonald's and Happy Bar&Grill. Outlets began to offer promotions more frequently, such as discounts for ordering more food, gifts for children etc. The increased competition brought a slight decrease in prices, which was the primary reason for higher growth in the number of transactions than in current value sales.

A number of trends among consumers in Bulgaria contributed to the growth of the consumer foodservice market in 2005. Consumer lifestyles were busier, with people, especially those in urban areas, working longer hours. Declining marriage rates meant there

was an increase in the number of single people without families; the market was significantly boosted by these factors, as they led to an increase in the number of people who relied on consumer foodservice more often as they did not have time to cook for themselves. This was expressed by an increase in the number of visits to consumer foodservice outlets in cities, an increase in takeaway and delivery services and growth in the number of fast food outlets.

There are not many chains in the Bulgarian consumer foodservice market. The few number that do exist tend to be larger players that have the resources to attract more consumers thanks to their well-known brands, quality standards and services, key locations and promotional activities. New chains are expected to appear on the market which will additionally change the market and will bring an increase in competition.

c. The food processing sector

The food processing industry in Bulgaria has strong traditions, with the strongest sectors traditionally being meat, dairy and fruits and vegetables processing.

Duty and quota exemption with other EU countries and more restrictive policy toward third countries are the likely trends for 2007. Importers are forecasting lower prices for pork meat imported from EU countries and higher prices for beef and veal meat due to higher EU duties for import from third countries. Import of poultry meat from third countries starting January 1, 2007 will have a duty of Euro 1,000 per one MT which will significantly increase the price.

The dairy products' market increased over the last 3 years by 8 percent in value and 5 percent in volume.

Sunflower oil processors are predicting a price increase between 10-15 percent, due to increased export and an increase in prices to reach EU price level. There is also increased interest in importing both soy and palm oils.

Soft drinks are not expected increase price and opportunities for import will increase.

Specific legislation in food processing industry has been harmonized with EU regulations.

High quality food products, healthy, organic and high-value products will be further developed due to increased consumer interest. Import of such products will increase.

Bulgaria's food processing industry share in GDP was 26 percent in 2005. The production of foods and beverages is 18 percent of the total industrial output. Meat production is at the top of the list, followed by beverages, dairy products, vegetable oil, canned fruits and vegetables, and fish products. Exports of foods and beverages in 2005 amounted to USD 485 million. Direct foreign investment in the food processing sector is 5 percent.

Foreign investors in food-processing sector (according to September 2005)

Foreign Investor	Activity	FDI, Foreign Direct Investment total USD, millions
Carlsberg, Denmark	Brewery production	76.7
Kraft Foods, USA	Food industry	35.9
Nestle, Switzerland	Food industry	35.8
Brewinvest, Greece	Brewery production	35.2
Klarina Holding, Luxemburg	Food industry	35.0
Luxkraft, UK	Food industry	29.8
Interbrew, Belgium	Brewery	11.0
Delta, Greece	Food industry	10.4
Coca-Cola, USA	Beverage production	9.5
TKM Fruit Juice, Greece	Beverage production	8.7
Chipita, Greece	Food industry	7.4

BEST HIGH-VALUE PRODUCT PROSPECTS

Customs tariff rates are available on EU customs tariff webpage:
<http://ec.europa.eu/taxation>

Thousands USD Imports in Bulgaria

Product Category	2005 World Imports Market Size	2005 USA Imports	Annual Growth % to 2004
Seafood	18547	5603	114
Fruits, Nuts	57598	2325	121
Cereals, Flour, Starch	34848	678	233
Misc Edible Preps	70642	1407	8
Snack Foods		784	117
Distilled Spirits/Liquors	7318	2096	33
Pet Food		100	54

Table 1 Key Trade and Demographic Information

Key trade and demographic information	YEAR	VALUE
Agriculture Imports From All Countries (\$ thousands) / U.S. Market Share (%)	2005	2 500 000 / 1.2%
Consumer Food Imports From All Countries (\$ thousands) / U.S. Market Share (%)	2005	976 000 / 2.2%
Edible Fishery Imports From All Countries (\$ thousands) / U.S. Market Share (%)	2005	18 500 / 34%
Total Population (Millions)/ Annual Growth Rate (%)	2006	7.7 / -0.5%
Urban Population (Millions)/ Annual Growth Rate (%)	2006	5 / -0.3%
Number of Major Metropolitan Areas	2006	1
Size of the Middle Class (Millions)/ Growth Rate (%)	2006	N/a
Per Capita Gross Domestic Product (U.S. Dollars)	2005	\$3443
Unemployment Rate (%)	2005	10.7%
Per Capita Food Expenditures (incl. beverages/tobacco) (U.S. Dollars)	2005	\$410
Percent of Female Population Employed	2006	55
Exchange Rate (US\$1 = BGN)	2005	1.6579

Table 2 Imports**Bulgaria Imports 2005**

By sections of HS
thousands USD

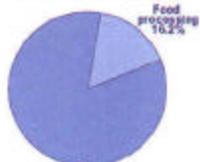
Section s of HS	Imports from the world	Imports from the US	U.S. Market Shar
02 MEAT, EDIBLE OFFAL	122,475	11,443	9.3
03 FISH, CRUSTACEANS	18,547	6,332	34.1
04 DAIRY PRODUCTS	34,670	85	0.0
05 ANIMAL PRODUCTS NES	6,838	453	6.6
08 EDIBLE FRUIT, NUTS	57,598	2,325	4.0
09 COFFEE, TEA, SPICES	30,833	10	0.0
10 CEREALS	12,059	785	6.5
12 OIL SEED	23,721	97	0.4
15 FATS, ANIMAL, VEGIE	49,841	248	0.5
16 MEAT, FISH, PREPS	6,030	102	1.7
19 CEREAL, FLOUR, STARCH	34,848	678	1.9
20 VEGIE, FRUIT, PREPS	46,292	219	0.5
21 MISC EDIBLE PREPS	70,642	1,410	2.0
22 BEVERAGES, VINEGAR	39,984	2,137	5.3
24 TOBACCO	21,342	685	3.2
35 MODIFIED STARCHES	33,829	719	2.1
41 RAW HIDES AND SKINS	113,652	50	0.0
44 WOOD	112,872	379	0.3

Table 3 Importance of Food and Beverage Industry for Bulgaria

FOOD & BEVERAGE Fact Sheet

Importance of the food & beverage industry for Bulgaria

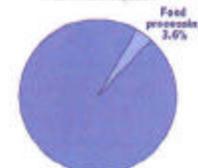
Share of Food processing in Bulgaria's Industrial gross output, 2004



Production of Food, Beverages & tobacco (EUR m), 2000 - 2004



Share of employees in Food processing in the total workforce, 2004



Export

Export of the Food & Beverage Industry, 2000-2004 (EUR m)



Export of the Food & Beverage Industry as % of the total export of Bulgaria, 2004



Annual average gross salary in the food, beverages and tobacco industries (Private sector data)



Table 4 Foreign Direct Investment Inflow by Country and Year

Foreign direct investment inflow in Bulgaria by country and by year in USD m																	
No	Country	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Jan-Sept 2005	Total by Country
1	AUSTRIA	13.0	1.0	14.7	1.4	12.1	12.5	46.9	74.6	70.5	93.6	160.6	238.4	906.2	900.9	469.9	3018.1
2	NETHERLANDS	0.1	0.5	37.9	0.9	46.3	10.8	41.3	105.6	-10.2	60.3	30.9	242.6	456.9	50.7	750.7	1845.4
3	GREECE	0.2	5.1	3.0	29.8	14.6	16.1	3.3	2.3	99.1	240.2	239.3	224.6	255.9	256.9	207.9	1598.2
4	UK	6.2	5.6	2.4	13.7	7.3	15.6	58.6	26.1	-3.3	20.1	0.7	96.1	67.9	327.8	703.0	1350.3
5	GERMANY	0.1	56.6	111.0	16.2	53.1	31.4	55.7	40.4	39.0	67.4	85.4	108.5	357.7	91.3	92.5	1206.3
6	BELGIUM & LUXEMBOURG	0.1	0.3	10.0	8.5	255.2	21.9	0.2	100.2	60.8	0.3	31.3	128.6	177.6	111.6	103.1	898.1
7	ITALY		0.2	5.2	2.3	1.2	0.4	2.1	6.9	338.3	146.5	45.2	100.5	105.2	115.7	22.6	692.3
8	USA		10.5	16.2	16.1	20.7	46.6	38.6	54.7	58.2	44.5	56.2	128.0	145.3	71.1	76.2	782.9
9	HUNGARY	12.3	0.1	0.0	0.0	0.1	0.0	0.7	7.4	2.0	1.0	9.5	379.2	61.9	92.8	211.6	778.7
10	CYPRUS	0.3	1.2	0.4	1.4	7.5	20.6	109.0	161.8	74.8	17.8	-8.2	120.9	109.5	16.6	70.5	704.0
11	CZECH REP.			0.1	2.3	2.3	4.7	0.6	0.1	0.7	2.6	62.1	-6.8	373.3	-24.3	158.6	576.1
12	SWITZERLAND	0.4	6.7	0.2	7.9	23.1	31.4	6.6	8.7	24.7	33.5	36.3	144.6	142.4	176.4	-115.1	527.9
13	IRELAND			0.0	17.4	0.2	5.2	1.0	15.8	3.2	-5.8	-2.1	2.8	25.1	104.7	197.7	355.2
14	FRANCE		0.2	4.2	5.0	6.5	0.8	3.4	78.1	36.9	15.1	8.6	22.7	63.4	29.2	35.9	310.1
15	SPAIN		0.1	0.0	0.0	0.0	49.6	56.8	3.8	1.0	5.1	0.1	4.6	10.4	49.8	95.9	277.1
16	RUSSIA	0.3	1.4	2.3	15.1	14.4	2.0	14.8	99.5	21.5	-4.4	4.5	30.9	-21.1	27.3	23.4	232.1
17	TURKEY		9.8	1.3	13.7	7.3	9.9	23.8	12.3	25.4	-9.7	15.3	-5.4	73.4	17.5	31.3	225.6
18	DENMARK			1.1	0.0	0.0	1.1	1.6	-1.1	2.1	-0.5	4.1	49.2	17.0	35.2	66.6	176.4
19	SWEDEN		0.0	0.0	1.4	2.4	0.9	0.4	2.2	5.7	26.5	6.9	10.9	30.1	15.1	104.7	
20	ISRAEL		0.9	0.0	1.5	0.0	0.0	14.0	8.3	0.1	3.1	5.5	16.2	14.1	32.1	95.7	
21	JAPAN			0.1	0.5	0.6	1.9	1.9	1.8	1.6	3.1	13.6	0.6	1.8	18.3	15.8	61.6
22	LIECHTENSTEIN		1.1	0.1	0.0	0.0	2.5	0.8	4.8	4.0	6.9	6.4	12.9	12.8	6.3	1.7	60.1
23	MALTA				0.1	0.1	0.1	8.9	-1.2	0.9	2.7	1.1	8.4	4.2	10.5	23.3	59.1
24	CANADA					0.1				0.2	0.0	-0.03	9.49	33.48	11.6	1.2	56.1
25	PANAMA							0.1	0.1	0.1	0.9	5.6	3.7	6.4	12.2	16.9	45.9
26	SLOVENIA									0.2	0.0	0.0	37.0	-3.7	6.6	3.7	43.9
27	ROMANIA										0.86	-0.1	-0.3	21.8	16.5	38.7	
28	LITHUANIA										0.1	0.7	16.8	8.4	9.2	35.3	
29	LATVIA											0.337	1.1	0.8	8.8	15.9	27.0
30	NORWAY						0.1	0.2		0.6	0.157	0.1	1.0	4.2	17.0	23.5	
31	LEBANON					0.3	0.7	0.0	2.4	0.3	-1.1	9.8	4.9	-0.1	2.6	2.7	22.6
32	ICELAND														5.9	15.5	21.3
33	ESTONIA													0.7	7.5	12.3	20.5
34	CHINA											0.2	0.5	7.0	1.1	0.2	8.9
35	SLOVAKIA						6.5	1.8	0.1	1.7	0.4	-0.1	-3.2	-0.9	1.9	0.5	8.7
36	POLAND					1.6		-0.1	-0.1		0.4	0.9	-3.6	1.2	6.9	1.4	8.6
	Total by years	34.4	102.4	210.9	162.6	256.4	636.2	620.0	818.8	1001.5	812.9	969.7	2096.9	3443.4	2863.7	3552.2	17602.0

Source: 1992-1998 - Ministry of Finance; 1999 - 2005 - Bulgarian National Bank

Table 5 Selected Retailers and their Private Label Products 2005

Retailer	Umbrella brands	Brands/sub-brands	Product category	Positioning
Billa	Clever	Clever	Packaged food, canned food, drinks, deli, household care, bakery products	Best combination of price and quality
CBA	CBA	CBA	Packaged/dry food, nuts, herbs, pasta, drinks, household care	Economy
Piccadilly	Mr Piks	Mr Piks	Packaged food, processed meat, herbs, nuts, drinks – over 300 products	Good quality at affordable prices
Fantastico	FF Vkus	FF Vkus	Packaged food, meat products, dry food, drinks	Economy
Fantastico	FF Dom	FF Dom	Household appliances, household care	High quality at affordable prices
Metro Cash & Carry	Aro	Aro	Packaged food, drinks, household care, cosmetics	Economy
Metro Cash & Carry	Metro Quality	Metro Quality	Packaged food, drinks, dairy products	Professional Quality for Professionals

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Source: InvestBulgaria Agency, Euromonitor International, "Regal" magazine, HOREMAG (Hotels Restaurants Magazine), TNS - Balkan British Social Survey, Bulgarian National Statistical Institute